

Mayor and Council Communication

DATE: 05/23/23

M&C FILE NUMBER: M&C 23-0404

LOG NAME: 14WORKERSCOMPPAYMENT3

SUBJECT

(ALL) Authorize Continued Payments of Approximately \$100,000.00 Per Year for 2023, 2024 and 2025 to Continental Casualty Company/Continental Loss Adjusting Services, Inc.(CNA) for Payment of Workers' Compensation Claims for Policy Years 1983, 1995, 1996 and 1997 for City Secretary Contract Nos. 21071 and 22322

RECOMMENDATION:

It is recommended that the City Council authorize continued payments of up to approximately \$100,000.00 per year for 2023, 2024 & 2025 to workers' compensation insurance claims administrator, Continental Casualty Company/Continental Loss Adjusting Services Inc.(CNA) for the administration of open workers' compensation claims for policy years 1983, 1995, 1996 & 1997 as authorized under City Secretary Contract Nos. 21071 and 22322.

DISCUSSION:

The City's Workers' Compensation Insurance claims that remain for policy years 1984 through 1997 are currently being handled by Continental Casualty Company d/b/a CNA financial Corporation. The initial contract with the City was with Underwriting Adjusting Services (UAS) effective January 1, 1984 (City Secretary Contract No. 13620). In 1990, UAS's name changed to Continental Loss Adjusting Services (CLAS) (City Secretary Contract No. 18177). In 1990, the parent company of CLAS, a corporation known as CNA Financial Corporation (CNA), assumed responsibility for CLAS claims handling and claims adjusting activities (Reference: Affidavit by CNA Financial Corporation dated January 9, 1998).

Per City Secretary Contract No. 21071, CLAS agreed to the following statement: "Upon termination of the contract, any claim(s) or loss(s) reported or unreported pending on the date of the contract termination will be handled and adjusted to conclusion by CLAS consistent with the terms of the contract".

Since CNA assumed responsibility for all UAC/CLAS claims, this contract language effectively made CNA liable for all future claims handling and claims adjusting activities on all workers' compensation claims with dates of injury 1/1/1984 through 1/1/1998. This is referred to in the workers' compensation insurance industry as a "life of file contract". City Secretary Contract No. 21071 was later amended to update conditions under the Agreement, including office location requirements and the pricing schedule (City Secretary Contract No. 22322).

Due to the nature of workers' compensation claims, medical benefits are payable long after the date of injury as long as the medical treatments/services are related to the compensable injury. CNA is responsible for paying these benefits for the lifetime of the injured employee under the terms of these City Secretary Contracts renewals/extensions. The current annual expenditure with this vendor is \$100,000.00 with approximately 50 percent of this cost being reimbursed by the City's workers' compensation excess carrier. Therefore, CNA continues to provide claims adjusting services to current and retired City of Fort Worth employees who sustained injuries during the periods 1/1/1984 through 1/1/1998. CNA sends to HR Risk Management a quarterly statement/invoice for any claims adjusting activities occurring in the quarter prior to the invoice date. HR Risk Management reimburses CNA from the Risk Financing Fund for any benefits payable on each claim.

Funding is budgeted in the Workers' Compensation Exp account of the HR Workers' Comp Insurance Department's Risk Financing Fund.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the recommendation, funds are available in the current operating budget, as previously appropriated, in the Risk Financing Fund. Prior to an expenditure being incurred, the Human Resource Department has the responsibility to validate the availability of funds.

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